

Accounting Report January 2007 – December 2007

SwitchCore sold its operating business to eSilicon Corporation. A new balance sheet for liquidation purposes has been drawn up, which shows that the previous shortfall in share capital has been rectified. SwitchCore is working towards achieving a deal that will provide the Company with a new, profitable operation, and thereby realise the value of the Company's losses for tax purposes.

SUMMARY

- The consolidated sales during the period January – December 2007 amounted to SEK 56,3 million (59,4), and orders received for the same period totalled SEK 69,6 million (56,0). For the fourth quarter of 2007, sales amounted to SEK 13,4 million (8,4), and orders received for the same period, SEK 9 million (6)
- The consolidated operating loss for the period was SEK -70,6 million (-183,4). The loss after tax was SEK -72,3 million (-182,5). Earnings per share were SEK -0,12 (-0,29).
- The consolidated cash and cash equivalents at the close of the period amounted to SEK 25,2 million (96,4).
- In mid-May 2007, the Board of Directors resolved to terminate all development work on SwitchCore's third product generation, Xpeedium3. A balance sheet for liquidation purposes showed that the Company's equity was less than half of the Company's registered share capital. **All personnel concerned were given notice, and, at the close of the period, only 4 employees remained in the Company.**
- Since March 2007, the Board and the management have sought to find a purchaser for SwitchCore's operation, and, by means of a non-cash issue, to provide the Company with a new, profitable operation, which can make use of the Company's losses for tax purposes and its market listing. In November 2007, an agreement was reached on the sale of the Company's operating business to the US company, eSilicon Corporation, at a purchase price of USD 3 million in cash.
- An extraordinary general meeting of SwitchCore in December 2007 approved the sale to eSilicon. The deal was implemented on the same day. Through the sale, the Company will realise the cash flow from the existing products and eliminate commercial risk while waiting for a non-cash issue which will provide the Company with a new, profitable operation. USD 2 million of the purchase price was paid immediately on completion of the deal. The remainder will be paid within a year of that date.
- The extraordinary general meeting in December 2007 also approved a reduction of the Company's share capital by around SEK 117.7 million without share reduction to cover losses.
- **The deal with eSilicon and the reduction in share capital have corrected the shortfall in the Company's share capital.** A new balance sheet for liquidation purposes, drawn up as at 31 December 2007, demonstrates this. A new extraordinary general meeting is to be held on 12 February 2008. At this general meeting, the new balance sheet for liquidation purposes will be presented, and the Board's proposal that the Company shall not go into liquidation will be discussed. Notification of the meeting will be issued separately.
- SwitchCore currently has a good level of liquidity while waiting on a deal which will bring the Company a new, profitable operation. **It is intended to repay the Company's convertible subordinated loan in its entirety on the due date of 1 February 2008.**

Footnote: Figures in parentheses show the corresponding figures for the same period of the preceding year.

THE CEO COMMENTS

As stated in connection with the interim reports during 2007, the Company had for some time been involved in discussions with financial and industrial parties on participation in the Company's continued development work with Xpeedium3.

No agreement had been reached during Spring 2007, and so the Company terminated all development activities to avoid a serious liquidity crisis. On 11 May 2007, the Board resolved, in consequence of the termination of the Xpeedium3 project and the impairment of all capitalised development costs, to draw up a balance sheet for liquidation purposes, since the Board judged that the Company's equity was less than half of the registered share capital. The balance sheet for liquidation purposes then drawn up showed that the Parent Company's equity as at 30 April 2007 amounted to SEK 22.4 million, equivalent to 18% of the share capital. Efforts began to re-negotiate/terminate existing contracts etc., with the aim of reducing the Company's expenses as rapidly as possible. In addition, the Board resolved to give all personnel notice, with the exception of five posts. After the conclusion of the Co-determination Act negotiations, all personnel given notice were made redundant. **At the end of the period, only four individuals remained in their employment with the Company. In addition, at the close of the period, all significant contracts had been terminated or taken over by eSilicon Corporation. The dispute with Synopsys has been settled.**

As a result of the investments made over the years in various development projects, which had not generated the desired sales revenue within the planned time, substantial losses for tax purposes have arisen. At the end of 2007, these losses were estimated at around SEK 1 billion. To make best use of these losses, the management and the Board are working towards providing the Company with a new profit-generating operation. Such a profit-generating operation will be acquired through a non-cash issue.

The extraordinary general meeting held on 18 December 2007 approved the sale of SwitchCore's operating business and intangible assets to the US company, eSilicon Corporation. The deal was implemented on the same day. Through the sale, the Company will realise the cash flow from the existing products and eliminate commercial risk while waiting for a deal which will provide the Company with a new, profitable operation. The transfer includes tangible assets, all inventories, all intellectual property rights, the order book, customer contracts, purchase orders placed etc. The transfer does not include monetary items (receivables and liabilities) and cash and cash equivalents. The purchase price amounts to USD 3 million, of which USD 2 million was paid on the completion of the deal and the remainder is to be played at the latest within one year. Co-determination Act negotiations have been completed.

The Parent Company's equity as at 31 December 2007 amounted to SEK 14,8 million.

In accordance with the Board's recommendation, the extraordinary general meeting on 18 December 2007 resolved to reduce the share capital by around SEK 117.7 million. The reduction in share capital was made to cover losses, without share reduction. The quota value is now SEK 0.01 per share. The transfer to eSilicon and the share capital reduction have rectified the shortfall in the Company's share capital. A new balance sheet for liquidation purposes, drawn up as at 31 December 2007, demonstrates this. This means that conditions have been created to present, at a future extraordinary general meeting (within the prescribed period of eight months from the annual general meeting held on

14 June 2007), a balance sheet for liquidation purposes which demonstrates that the shortfall in share capital has been rectified, and to resolve that the Company shall not go into liquidation. This general meeting will take place on 12 February 2008. The notification will be issued separately.

SwitchCore currently has a good level of liquidity while waiting on a deal which will bring the Company a new, profitable operation. It is intended to repay the Company's convertible subordinated loan in its entirety on the due date of 1 February 2008.

SALES AND RESULTS FOR THE PERIOD JANUARY TO DECEMBER

- Consolidated sales for the year totalled SEK 56,3 million (59,4). Orders received for the equivalent period were SEK 69,6 million (56), of which the fourth quarter represented SEK 9 million (6). OEM sales to Intel represented 40 percent (40) of total sales.
- The consolidated operating loss for the 12-month period January – December 2007 was SEK -70,6 million (-183,4), of which SEK 9,4 million (-164,7) was recorded during the fourth quarter. The principal reason for the sharp result improvement was the Board's resolution on 11 May 2007 to terminate the Xpeedium3 development project. As a result of this decision, all capitalised development costs during 2007 up to that date were impaired to 0, and no subsequent development costs were capitalised. In the annual accounts for 2006, which were finalised after the report for the first quarter of 2007 had been presented, capitalised development costs of SEK 103.4 million arising up to the end of 2006 were impaired to zero which explains the differences between the losses in 2006 compared to 2007.
- For the first quarter of 2007, SEK 27.6 million was capitalised in the Xpeedium3 development project. During the second quarter, this was impaired to zero.
- The gross profit margin for the period amounted to 38 percent (41).
- Since all invoicing takes place in USD, and only product cost is in USD, the gross margin was negatively affected by the weakened USD.
- The loss after tax was SEK -72,3 million (-182,5).
- Earnings per share were SEK -0,12 (-0,29).

FINANCING AND LIQUIDITY

Equity as at 31 December 2007 amounted to SEK 14,8 million (87,1) and equity/share to SEK 0,02 (0,14).

Cash flow from operating activities during the period amounted to SEK -45,6 million (-17,5)

Cash and cash equivalents at the close of the period amounted to SEK 25,2 million (96,4). Liquidity has been adversely affected by the lower sales volume and by the high level of development costs for Xpeedium3 during the first quarter of the financial year.

The share capital is SEK 6,194,001.96 SEK, and the number of shares 619,400,196.

THE PARENT COMPANY

- The Parent Company's sales for the period totalled SEK 56,3 million (59,4).
- The Parent Company's loss after net financial income/expense amounted to SEK -78,7 million (-141,6).

MARKET, PRODUCTS AND SALES

SwitchCore's now transferred operation was based on products (Xpeedium, Xpeedium2 and Xpeedium2Pro) aimed at applications based on the Gigabyte Ethernet standard, a communications technology which is 10 times faster than its predecessor, Fast Ethernet. The customers for this operation are companies who manufacture advanced network equipment (network switches) for companies and public networks (access) based on the Ethernet Standard. Customers are concentrated in North America, Europe and Asia (particularly China and Korea). All existing orders, customer relationships, products and intellectual property rights had been transferred to eSilicon at the close of the period.

ORGANISATION AND STAFF

SwitchCore's organisation consists of the Parent Company, SwitchCore AB, subsidiaries SwitchCore Options AB, SwitchCore Singapore Private Limited (in process of liquidation), SwitchCore Intellectual Property AB, Eroc Technology AB, SwitchCore Taiwan AB (dormant) and SwitchCore i Stockholm AB (dormant), as well as a subsidiary, SwitchCore Corporation (a wholly-owned subsidiary of SwitchCore Options AB, in process of liquidation).

At the close of the period the Group's employees were divided as follows: The Group had 4 (58) permanent employees, of whom 3 (50) were in Sweden, and 1 (2) in Asia. Of the employees, 50 (18) percent are female and 50 (82) percent male. The average age is 44 (41).

From the end of the year, only the CEO and four employees remain in SwitchCore. One of these employees will transfer employment to eSilicon during 2008, while the others will remain employed by SwitchCore.

INVESTMENTS

The Group's investments in tangible assets amounted to SEK 0 million (1,0), of which SEK 0 million (0.9) were in the Parent Company. In addition, during the first quarter, investments were made in capitalised development expenditure totalling SEK 27.6 million (63.7), of which approximately 26 percent represents personnel costs and the remainder other external costs such as consultants, tools and licences. Amortisation of expenditure capitalised earlier in the year amounted to SEK 27.6 million (27.6). In total, the change in capitalised development expenditure is SEK 0 million (36.1).

PATENTS

SwitchCore's patents strategy was based on creating a patent portfolio in which the most important components of the CXE technology were protected. In total, SwitchCore owned 14 patented inventions, divided into 31 registrations, 7 in Sweden, 11 in the USA, 2 in Taiwan, 2 in China and 9 in other countries. In addition, 1 patent application is being processed in the USA. All patents and patent applications have been transferred to eSilicon.

FUTURE PROSPECTS

The Board and management are working towards providing SwitchCore with the new profit-generating operation to enable the Company to realise the value locked in its losses for tax purposes which have arisen over the years. Since the previous operation has been liquidated, the conditions for such a transaction have been significantly improved.

REPORT DATES ETC.

Detailed information on dates for SwitchCore's financial reports during 2008 will be published on the Company's website as soon as they have been determined. It is expected that the annual report will be published at the beginning of March 2008, and will be available on the Company's website. It is intended to hold the annual general meeting at the beginning of April 2008.

ACCOUNTING POLICIES

This accounting report has been drawn up in accordance with IFRS. This means that the report complies with IAS 34. The accounting principles and calculation methods used are the same as those used in the most recent annual report.

Lund 24 January 2008

Erwin Leichtle
CEO

The report has not been reviewed by the Company's auditors.

The full report, including tables, may be downloaded from the accompanying link.

<http://reports.huginonline.com/xxxx>

FOR FURTHER INFORMATION:

You are invited to participate in SwitchCore's telephone conferences for the media and financial analysts today, 24 January 2008, at 10.00.

Tel: + 46 8 30 63 90 or

Tel: 020 30 63 90; Not calls from mobiles or abroad

State code 535265

Or contact:

Erwin Leichtle, CEO

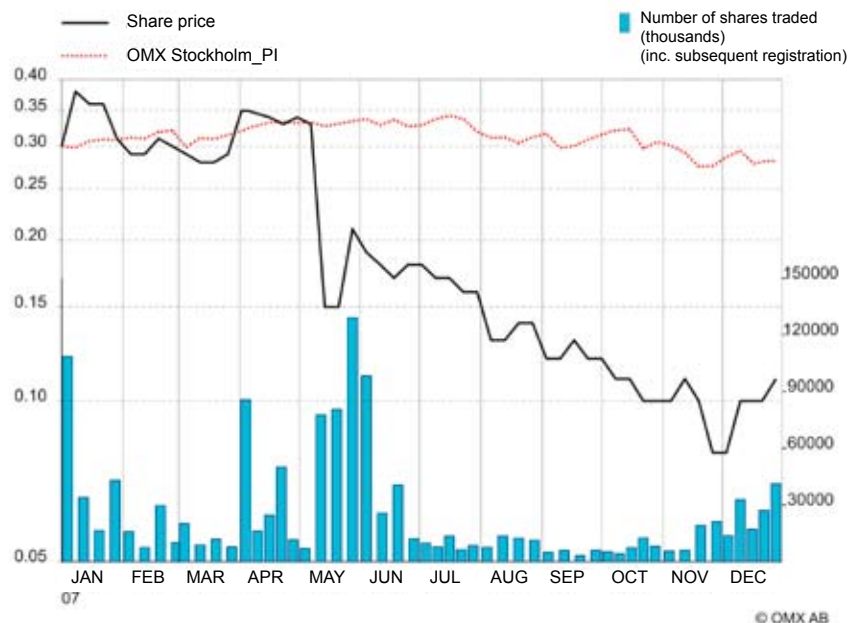
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*The information in this accounting report is of the kind which SwitchCore AB (publ) is obliged to publish under the Capital Markets Act.
The information was published on 24 January 2008 at [08.30].*

SWITCHCORE'S SHARES

The Company's shares are listed on the OMX Nordic Exchange in Stockholm under Smaller Companies. Since the decision in spring 2007 to draw up a balance sheet for liquidation purposes, the shares have been listed on the Exchange's observation list. Average turnover per day during the period 1 January 2007 until 31 December 2007 inclusive was SEK 1 170 868. The average number of shares traded for the same period was 5 213 291 shares per day. The total number of shares in the Company at the close of the period was 619,400,196.



CONSOLIDATED INCOME STATEMENT (KSEK)

Discontinued operations

	Oct 1 2007 Dec 31 2007	Oct 1 2006 Dec 30 2006	Jan 1 2007 Dec 31 2007	Jan 1 2006 Dec 31 2006
Net sales	13 424	8 408	56 257	59 387
Work performed by the entity and capitalised a)	-	-	27 598	-
Lump-sum income b)	13 140	-	13 140	-
	26 564	8 408	96 995	59 387
Raw materials and consumables	-14 231	-10 949	-34 992	-34 906
Other external costs	1 597	-30 784	-60 467	-33 250
Personnel costs	-4 635	-13 997	-40 175	-27 789
Depreciation a)	55	-117 328	-31 963	-146 874
	-17 213	-173 058	-167 597	-242 819
Operating loss/profit	9 351	-164 650	-70 603	-183 432
Result from other securities	-	-	-	-
Financial income/expense net	-483	-179	-1 136	1 178
Loss/profit after financial income/expense net	8 868	-164 829	-71 738	-182 254
Tax	-57	33	-517	-205
Earnings for the period	8 811	-164 796	-72 255	-182 459
Continued operation	0	0	0	0

**CONSOLIDATED BALANCE SHEET
ASSETS**

Dec 31 2007 Dec 31 2006

Capitalized expenditure R&D 1)	-	-
Tangible fixed assets	24	5 855
Inventory	0	19 327
Current receivables	16 630	17 849
Cash and bank and current investments	25 206	96 418
Total assets	41 859	139 449

STOCKHOLDERS' EQUITY AND LIABILITIES

Dec 31 2007 Dec 31 2006

Stockholders' equity c)	14 914	87 054
Provision 2)	0	750
Long-term liabilities d)	0	18 301
Current liabilities to credit institutions e)	18 238	2 438
Other liabilities	8 707	30 906
Total stockholders' equity and liabilities	41 859	139 449

Notes and key figures

Oct 1 2007 Oct 1 2006 Jan 1 2007 Jan 1 2006
Dec 31 2007 Dec 30 2006 Dec 31 2007 Dec 31 2006

Gross profit margin			37,8%	41,2%
Equity/assets ratio, % 3)			35,6%	62,4%
Earnings per share, SEK 4) 5)	0,01	-0,05	-0,12	-0,29
Earnings per share, SEK 4) 6)	0,01	-0,05	-0,12	-0,29
Equity per share, SEK 4) 7)			0,02	0,14
Rate of return, equity 8)			neg	neg
Rate of return, capital employed 9)			neg	neg
No. of stocks at period's end			619 400 196	619 400 196
Investments, MSEK			0,0	93,7
Operating cash flow, MSEK 10)			-51,8	-108,7
Average number of employees/full time			36	51

- 1) Capitalized expenses for product development
- 2) Refer to costs for restructuring scheme
- 3) Stockholders' equity in relation to balance sheet total
- 4) Adjusted for new issue and split
- 5) Calculated on average number of stocks before dilution
- 6) Calculated on average number of stocks after dilution
- 7) Calculated on number of stocks at period's end
- 8) Net earnings less standard tax in relation to adjusted equity
- 9) Loss after depreciation+ financial income in relation to capital employed
- 10) Operating loss before depreciation less investments and changes in working capital.

A) CAPITALIZED EXPENDITURE R&D

With effect from January 1, 2005, SwitchCore follows IAS 1. This means that the company discloses capitalized work for its own account, where previously this item was reported in operating expenses. Expenditure that has been capitalized and included in income refers, as in previous years, to expenditure applicable to products that are underway in the industrial process. Depreciation begins with effect from introducing each respective product on the market.

	Oct 1 2007 Dec 31 2007	Oct 1 2006 Dec 30 2006	Jan 1 2007 Dec 31 2007	Jan 1 2006 Dec 31 2006
Work performed by the entity and capitalised	0	29 086	0	92 755
Depreciation	-	-29 086	0	-92 755
Total	0	0	0	0

B) LUMP-SUM INCOME

Sales proceeds from disposal of the business operation to the american company eSilicon Corporation.

C) STOCKHOLDERS EQUITY

	Dec 31 2007	Dec 31 2006
Opening balance	87 054	69 762
Operational new issue	-	199 751
Share of stockholders' equity - convertible promissory notes	-	-
Tax on dividend received from subsidiary	-	-
Loss for the period	-72 255	-182 459
Closing balance	14 799	87 054

D) LONG-TERM LIABILITIES

	Dec 31 2007	Dec 31 2006
Convertible promissory notes	0	16 855
Liabilities to credit institutions	0	1 446
Total	0	18 301

At an extraordinary general meeting on February 16, 2005, a decision was taken to raise a loan of a nominal SEK 17.2 million via a directed issue of a maximum 172 convertible promissory notes. The issue was subscribed for by Öhman Fondkommission on behalf of Nexum sicav's account. The loan runs for three years and conversion can take place from April 1, 2005 to January 1, 2008. The annual interest rate is 5 %. The interest rate is included in the capitalized amount above and the difference between the nominal value and the actual value amounts to SEK 0.6 (0.6) million and is reported as stockholders' equity in accordance with IAS 32.

E) CURRENT LIABILITIES TO CREDIT INSTITUTIONS

	Dec 31 2007	Dec 31 2006
Liability to bank for invoice credit	-	1 650
Convertible promissory notes	17 175	-
Accrued interest rate convertible promissory notes.	788	788
Total	17 963	2 438

**CONSOLIDATED CASH FLOW STATEMENT
(KSEK)**

	Jan 1 2007 Dec 31 2007	Jan 1 2006 Dec 31 2006
Cash flow from period's activities before change in working capital	-41 210	-39 101
Cash flow from changes in working capital	-4 398	21 573
Cash flow from period's activities	-45 608	-17 528
Cash flow from investment activities	-24 014	-93 723
Cash flow from financing activities	-1 591	191 611
Cash flow for the period	-71 212	80 360
Liquid funds at period's start	96 418	16 058
Liquid funds at period's end	25 206	96 418

**PARENT COMPANY
(KSEK)**

	Oct 1 2007 Dec 31 2007	Oct 1 2006 Dec 31 2006	Jan 1 2007 Dec 31 2007	Jan 1 2006 Dec 31 2006
Net sales	13 424	8 408	56 257	59 387
Work performed by the entity and capitalised a)	0	29 086	27 598	-
Lump-sum income b)	13 140	-	13 140	-
	26 564	37 494	96 995	59 387
Raw materials and consumables	-14 231	-10 949	-34 992	-34 906
Other external costs	22	-32 152	-72 050	-46 322
Personnel costs	-4 631	-16 736	-36 730	-17 284
Depreciation a)	55	-222	-31 736	-104 653
	-18 785	-60 059	-175 508	-203 165
Operating loss	7 778	-22 565	-78 514	-143 778
Loss after financial income/expense net	7 392	-22 158	-78 696	-141 584
Earnings for the period	7 392	-22 158	-78 696	-141 563

**PARENT COMPANY BALANCE SHEET
ASSETS**

	Dec 31 2007	Dec 31 2006
Shares in subsidiaries	5 855	5 855
Capitalized expenditure R&D 1)	-	-
Tangible fixed assets	24	1 682
Current receivables	17 493	46 269
Cash and bank and current investments	24 168	95 036
Total assets	47 539	148 842

STOCKHOLDERS' EQUITY AND LIABILITIES

	Dec 31 2007	Dec 31 2006
Stockholders' equity c)	8 833	87 528
Long term liabilities d)	0	17 950
Short term liabilities e)	38 706	43 364
Total stockholders' equity and liabilities	47 539	148 842

STOCKHOLDERS

The total number of stockholders was 21 049 spread among 619 400 196 shares.

The largest stockholders December 31 2007:

Banque Carnegie Luxembourg SA	4,9%
AB Traction	4,2%
Per Andersson med bolag	2,8%
Nordnet	1,8%
Ing Luxembourg SA, Nqi	1,6%
Stillström Ann	1,6%
E*Trade DK A/S, Omnibus	1,3%
Private Invetsmtent Bank Limited	1,1%
Försäkringsaktiebolaget Avanza Pension	1,0%
Spencer Trading Inc Nuf	0,9%

GENERAL INFORMATION ON THE OPERATION

Up until the sale of the operation in December 2007, SwitchCore focused on the manufacture, marketing and sale of integrated circuits for data, voice and video communication based on the Ethernet standard. The customers and collaborators in this operation were manufacturers and suppliers of network equipment, such as Intel, Allied Telesyn, Huawei, Alloptic, Key Mile, Photonic-Bridges (now Nokia-Siemens), Dasan, Radisys and World Wide Packets. The Company's head office is in Lund, Sweden. The Company's shares are listed under symbol SCOR on the OMX Nordic Exchange in Stockholm under Smaller Companies. Since the Company's decision in spring 2007 to draw up a balance sheet for liquidation purposes, the shares have been listed on the Exchange's observation list. For further information on SwitchCore, please visit <http://www.switchcore.se/>.

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